W4110-1A

PENNSYLVANIA BUSINESS SURVEY

College of Business Administration The Pennsylvania State University **November 1986**

ECONOMY CONTINUES ON ERRATIC PATH

Despite a level of employment that has remained at or near an all-time high throughout much of the first nine months of the year, **the health of the Pennsylvania economy is debatable.** For every piece of positive news it seems that a counteracting negative signal is not hard to find. We see a fairly robust service-producing sector alongside a slumping manufacturing base. Strong growth in the southeastern portion of the State exists in the face of relatively sluggish activity elsewhere. There is a disturbing unemployment problem in the Commonwealth's black population relative to the white population. In that we see the positive signals just slightly outweighing the negative ones we expect more of the same type of moderate, but uneven, growth. **Given all of the "ifs" and "howevers" in the outlook, it appears unlikely that the economy will generate enough strength to move onto a higher growth track.**

A look at the coincident indicators index for Pennsylvania illustrates the "up-and-down" nature of the economy. Designed to mirror overall trends in the economy, the index rose in two of the first three months of the year before declining each month during the second quarter. After holding steady in July, the index rose slightly in August before declining during September. Recent behavior in the Pennsylvania leading index points toward a continuation of these erratic trends. Following two months of decline, the index rose in both March and April. Three consecutive declines were then recorded prior to a fairly strong increase in August. September brought with it another slight decline.

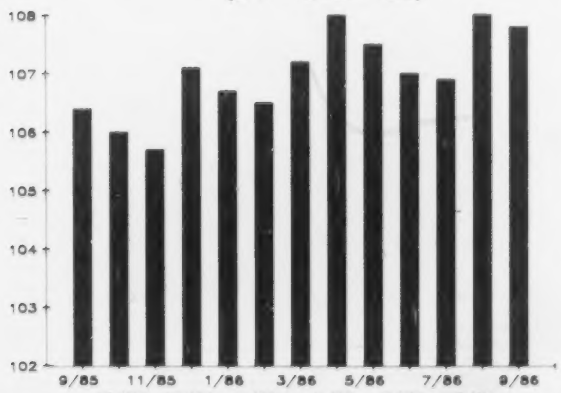
Some of the strongest sectors in the State's economy slowed somewhat during September. As measured by the value of contracts awarded, **construction activity was off in September.** Awards were valued at $619.4 million after seasonal adjustment for a monthly decline of 16.7 percent. The slowdown was widespread as evidenced by the decline in contract values in all three construction categories: residential, nonresidential, and nonbuilding. However, over the course of the year, all three sectors have moved ahead nicely. Through the first nine months of the year, total construction awards are up 27.2 percent.

The leader of the economy has been the service-producing sector. However, activity in these industries appeared to pause in September when jobs dipped slightly. The decline was probably the result of strike activity in the education sector. **Although it is expected that a good deal of all new jobs will be generated in these industries, the fact that job growth has been tailing off is perhaps a signal that we should not take this job growth for granted.**

The most troubling aspect of the State's economy has been consistent weakness in manufacturing. Job levels have been on a fairly continuous decline for about the last two years. At a seasonally adjusted 1.04 million, the number of positions in these establishments sank to another all-time low in September in dropping 1,100 from August. Other indicators of manufacturing's health, such as the average workweek, total hours worked, and total payrolls, essentially held steady, providing further evidence of sluggish activity.

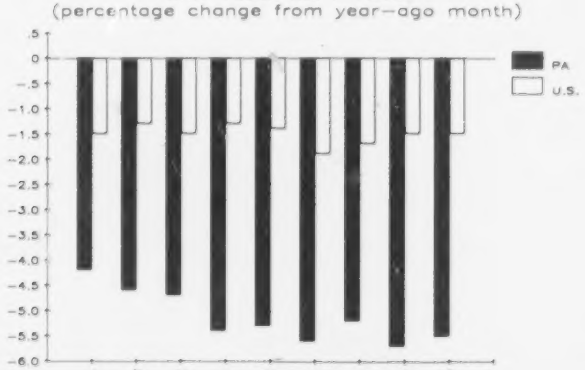
Manufacturing's difficulties have especially held back the durable goods industries. Compared to a year ago, job levels in these establishments have been off anywhere from four to six percent each month this year in Pennsylvania. The largest decline in the nondurable goods industries was 2.7

PENNSYLVANIA COMPOSITE INDEX
OF LEADING INDICATORS
(JAN 1972=100)

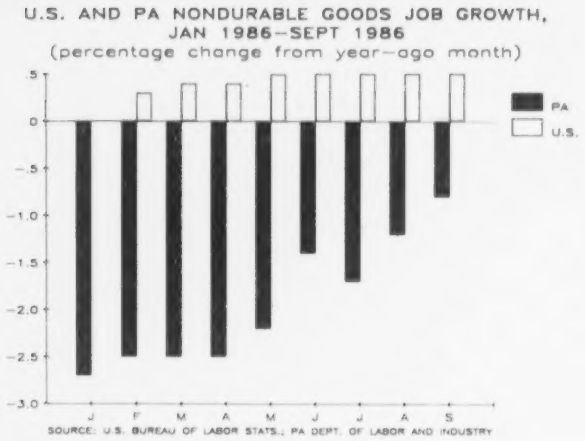


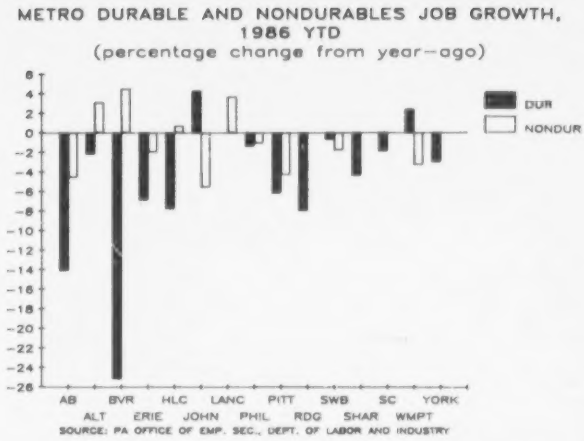
SOURCE: THE PENNSYLVANIA STATE UNIVERSITY, COLLEGE OF BUSINESS ADMINISTRATION

U.S. AND PA DURABLE GOODS JOB GROWTH,
JAN 1986–SEPT 1986
(percentage change from year-ago month)



SOURCE: U.S. BUREAU OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY


U.S. AND PA NONDURABLE GOODS JOB GROWTH, JAN 1986–SEPT 1986
(percentage change from year–ago month)
PA
U.S.
J F M A M J J A S
SOURCE: U.S. BUREAU OF LABOR STATS.; PA DEPT. OF LABOR AND INDUSTRY


METRO DURABLE AND NONDURABLES JOB GROWTH, 1986 YTD
(percentage change from year–ago)
DUR
NONDUR
AB ALT BVR ERIE HLC JOHN LANC PHIL PITT RDG SWB SHAR SC WMPT YORK
SOURCE: PA OFFICE OF EMP. SEC., DEPT. OF LABOR AND INDUSTRY

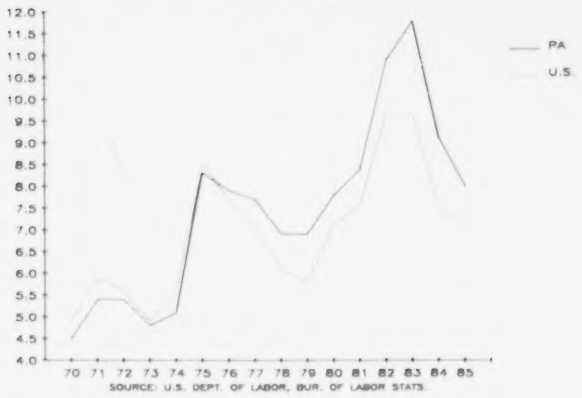
percent (see accompanying charts). Three points deserve mentioning. First, it appears as if the situation in nondurable goods is improving. The declines that have occurred each month are getting smaller. Such improvement is not apparent on the durable goods side. Second, **the Commonwealth's manufacturing establishments are having a rougher time than those in the U.S.** In percentage terms, job losses in Pennsylvania's durable goods industries have been more than twice as large as in the nation. While Pennsylvania has been suffering job declines in nondurable goods industries, the na-

Economic Activity in Pennsylvania	UNADJUSTED DATA			SEASONALLY ADJUSTED DATA			SEASONALLY ADJUSTED INDEXES (1977 = 100)		
	1986		1985	1986		1985	1986		1985
	August	*Sept.*	*Sept.*	*August*	*Sept.*	*Sept.*	*August*	*Sept.*	*Sept.*
Pennsylvania Industries									
All nonagricultural industries									
No. of wage and salary jobs (thous.)[1]	4,842*	4,858	4,785	4,825	4,825	4,753	105.7*	105.7	104.1
Nonmanufacturing									
No. of wage and salary jobs (thous.)	3,790*	3,803	3,693	3,786	3,786	3,677	117.4	117.5	114.1
Manufacturing									
No. of wage and salary jobs (thous.)	1,046*	1,045	1,084	1,040	1,038	1,076	77.5*	77.4	80.2
Ave. wkly. hrs. worked by prod. workers	40.2*	40.5	40.0	40.4*	40.4	39.9	102.1*	102.2	100.9
Total wkly. person-hours worked (mils.)	28.3*	28.6	29.5	28.3*	28.3	29.2	73.8*	73.7	76.0
Total wkly. payroll (mil. dols.)	274.8*	279.5	282.4	275.9*	277.0	279.7	122.8*	123.3	124.5
Steel production (thous. tons)	581	549	898	n.a.	n.a.	n.a.	30.0	29.3	47.7
Industrial electric power sales (mil. kwh)	3,341	3,515	3,563	3,302	3,470	3,496	89.4	94.0	94.7
Mining									
Anthracite coal (thous. net tons)	325	328	281	280	317	266	57.2	64.8	54.5
Bituminous coal (thous. net tons)	4,609	n.a.	5,136†	4,322	n.a.	4,686†	61.3	n.a.	66.4†
Construction contracts awarded (mil. dols.)									
Total	794.2	655.6	602.2*	744.0	619.4	562.9*	231.3	192.5	175.0*
Residential building	404.7	308.0	286.2*	333.4	296.2	270.5*	236.9	210.5	192.2*
Nonresidential building	198.3	225.5	175.8*	199.7	195.3	154.6*	184.0	180.0	142.5*
Nonbuilding (utilities and public works)	191.3	122.1	140.2*	210.9	127.9	137.8*	291.0	176.5	190.1*
Employment of Pennsylvania Residents									
Employed, no. of persons (thous.)	5,390	5,278	5,170	5,267	5,234	5,126	109.6	108.9	106.7
Unemployed									
No. of persons (thous.)	364	362	393	380	394	425	94.7	98.3	106.0
Rate (percentage of labor force)	6.3	6.4	7.1						
Rate, seasonally adjusted				6.6	6.9	7.7			
Civilian labor force, no. of persons (thous.)	5,754	5,640	5,563	5,647	5,628	5,551	108.5	108.1	106.6
Initial claims for unemployment benefits	82,335	90,001	94,471	104,420	106,642	117,353	72.9	74.5	82.0

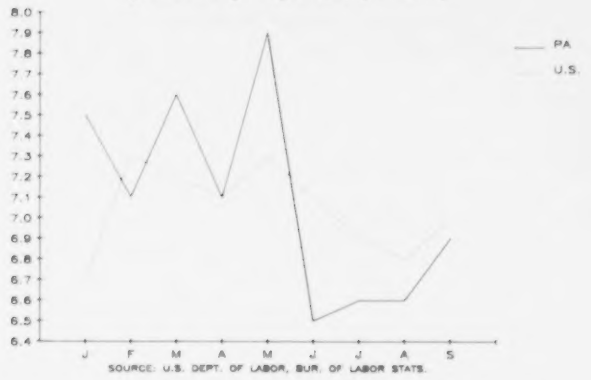
Consumer Prices, all items	Urban Indexes (1967 = 100) 1986		1985	Percentage Change	
	August	*Sept.*	*Sept.*	*Month Ago*	*Year Ago*
U.S. city average	328.6	330.2	324.5	+0.5	+1.8
Philadelphia	323.1	325.8	316.5	+0.8	+2.9
Pittsburgh	330.1	n.a.	325.9†	n.a.	+1.3
Northeast PA	n.a.	311.3	306.8	n.a.	+1.5

NOTES: Data on employment, payrolls and hours have been revised to first quarter 1985 benchmarks.
[1] Total includes workers on strike. * = figure revised † = figure for August 1985 n.a. = data not available
SOURCES AND DEFINITIONS OF DATA ARE AVAILABLE ON REQUEST.

U.S. AND PA UNEMPLOYMENT RATES, 1970–1985
(percent)



U.S. AND PA UNEMPLOYMENT RATES,
JAN 1986– SEPT 1986
(seasonally adjusted; percent)



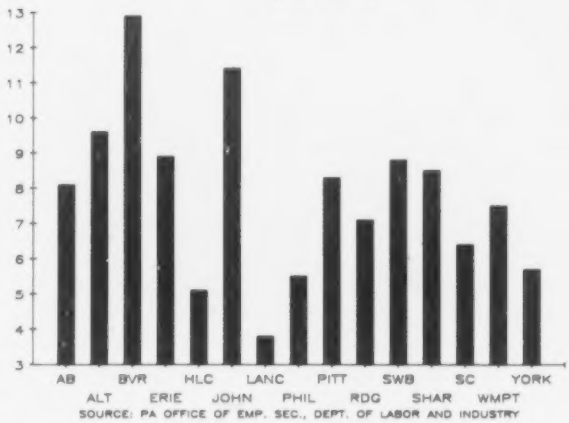
tion has been realizing slight increases. Third, the relatively strong performance of the nondurable goods industries relative to the durable goods sector is evident in nearly all metropolitan regions around the Commonwealth.

Two once-dominant Pennsylvania industries, steel and coal, continue having their share of problems. Although the figures are somewhat distorted due to a major work stoppage and should be handled with caution, output from the State's steel mills is down about 15 percent so far this year. Through the first seven months of the year, which would not include data distorted by the strike, output was off 9.4 percent. Anthracite coal production is off 1.6 percent while bituminous coal output is down 2.5 percent.

Although the situation worsened slightly in September, **the news on the employment/unemployment front so far this year has been fairly positive.** Resident employment has been up while unemployment has declined. As the accompanying charts show, the jobless rate in the Commonwealth has moved below the nation's during the last several months, reversing a situation where the State's unemployment rate was above the nation's for several years. In that the U.S. appears to be narrowing the gap, **it will be interesting to see if Pennsylvania can maintain its advantage through the remainder of the year.** (Pennsylvania's unemployment rate was 0.3 percentage point below the nation's in July, 0.2 point below in August, and 0.1 point below in September.) All told for September, the jobless rate rose 0.3 percentage point in Pennsylvania to 6.9 percent, seasonally adjusted. The number of residents counted as employed dropped by about 35,000 to 5.23 million and the number of unemployed rose by approximately 15,000 to over 390,000. As shown in the accompanying chart, the regions with the lowest jobless rates are concentrated in the southeastern portion of the State. Recent behavior in initial claims for unemployment benefits fail to point toward any significant upward or downward pressure on unemployment in the near future.

— William D. Anderson

METROPOLITAN AREA UNEMPLOYMENT RATES,
1986 YTD
(percent)



Housing Permits Report

One of the bright spots in the Pennsylvania economy, residential construction, remains strong. The number of housing units authorized in permit issuing places during the third quarter, at 17,867, represents a gain of 40.9 percent from the same period a year ago. Single-unit structures showed an equally strong gain of 37.5 percent. So far this year, 42,122 houses have been authorized in Pennsylvania for a 20 percent gain from 1985. Of these, 35,313 were single-unit structures for a 25.5 percent annual advance.

Newly authorized housing units during the third quarter were valued at $978.2 million in the Commonwealth, up 59.4 percent from the same period last year. There was a 60 percent gain in the value of permits for single-family units. On a year-to-date basis, the value of all residential permits rose 35.8 percent, while single family permits increased by 41.3 percent in value on an annual basis. (Comparisons between these valuation figures, which deal strictly with new housing, and the construction contract awards data used elsewhere in the *Survey*, which include additions and improvements, should be avoided.)

Most indicators of residential construction activity suggest that this sector is somewhat stronger in Pennsylvania than in the nation as a whole. For instance, so far this year total housing units authorized in the U.S. show just a 3.3 percent advance from a year ago, with single-family structures up 13.9 percent. This is surprising given some of the difficulties facing the Pennsylvania economy, such as weak population and income growth.

Many analysts believe that housing activity will soon slow. They doubt that recent growth rates can be maintained, though they expect activity will still remain at a fairly high level.

Pennsylvania Housing Units Authorized In Permit Issuing Places

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IIIQ	17,867	40.9	14,165	37.5
1986:IIQ	16,399	12.6	14,352	20.9
1986 YTD	42,122	20.0	35,313	25.5

Source: U.S. Dept.of Commerce, Bureau of the Census

Value of Pennsylvania Housing Units Authorized In Permit Issuing Places (thousands of dollars)

	Total	Pct. change from yr. ago	Single units	Pct. change from yr. ago
1986:IIIQ	978,242	59.4	852,837	60.0
1986:IIQ	926,199	30.0	850,001	35.4
1986 YTD	2,315,968	35.8	2,082,454	41.3

Source: U.S. Dept. of Commerce, Bureau of the Census

Around the State

Northeastern Quarter

Allentown-Bethlehem

Economic activity in the Allentown-Bethlehem region moved ahead moderately in the third quarter as the construction and service-producing industries remained strong alongside a weak manufacturing sector. On a year-to-date basis, both residential and nonresidential construction contract awards have shown nice gains from a year ago in rising 33 and 85 percent, respectively. The number of jobs in the construction industry, at 10,600 on an average monthly basis so far this year, is up 1,200 from the first nine months of 1985.

Jobs in the region's nonmanufacturing establishments have been on an upward trend since the early 1980s. Job levels have increased in eight of the nine months this year, settling at a seasonally adjusted record-high of 184,500 in the third quarter. The two largest employers in this group, services and trade, both show gains in excess of 6 percent on a year-to-date basis.

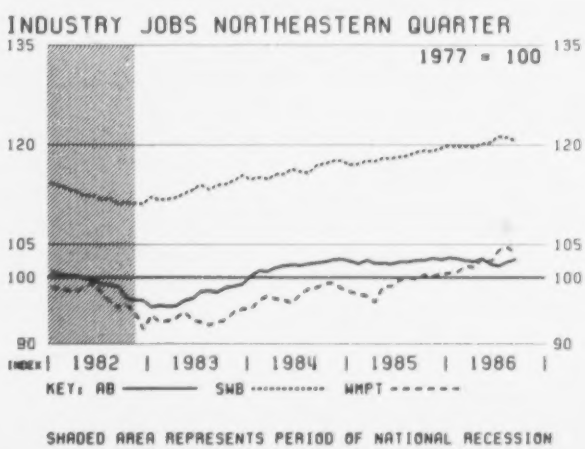
Whereas nonmanufacturing job levels rise to new highs virtually every month, jobs in manufacturing establishments sink to new lows. There were a seasonally adjusted 77,800 manufacturing positions in this year's third quarter, down 2,100 from the previous quarter. Manufacturing is of utmost importance to the region's economy. It accounts for a third of all jobs compared to a 23 percent share in the State. Furthermore, the sector is dominated by those industries having more than their fair share of problems. The two largest industries are apparel and primary and fabricated metals. Jobs in the apparel industry are off 12.2 percent so far this year while metals jobs are down 9.6 percent.

Some of the decline in manufacturing jobs is the result of intense foreign competition. However, a slight upward trend in electricity sales to industry, a good barometer of industrial activity, suggests that production is at least holding steady. During the third quarter, electricity sales were up 2.2 percent from the second quarter. This suggests that a portion of the job loss may be the result of a switch to production processes requiring less labor.

Although the region's economy has improved greatly from the early 1980s, the 1.1 percentage point drop in the unemployment rate to 7.1 percent after seasonal adjustment in the third quarter exaggerates the economy's underlying health. The decline, which left the jobless rate at its lowest level since 1980, was not the result of any gains in employment, but occurred because of a drop in the labor force. The number of residents in the labor force dropped by 5,500. Coupled with a decline of 1,500 in the number of employed to 292,400, seasonally adjusted, this helped push down the number of unemployed by about 4,000.

Scranton-Wilkes-Barre

The economy of the Scranton-Wilkes-Barre region continued on a slow and uneven upward trend during the third quarter. At a seasonally adjusted 8.4 percent, the jobless rate was the lowest since 1978:IIQ. Third quarter's 0.6 percentage point decline came about as resident employment rose by 400 to a record-high of 314,300, seasonally adjusted. A new record has been set in seven of the last eight quarters. The number of residents counted as unemployed dipped by a seasonally adjusted 1,700. This implies a net outflow from the labor force of 1,300 individuals during the quarter.



Allentown Bethlehem Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents	297.9	107	107	106
Unemployed, no. of residents	22.4	107	126	116
Rate, seasonally adjusted	7.1			
Civilian labor force, no. of residents	320.3	107	108	107
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	263.5	102	102	102
Nonmfg. only, no. of jobs	184.9	124	123	118
Mfg. only, no. of jobs	78.5	72	74	81
Hrs. worked by production workers in mfg., *ave. weekly*	39.1	102	101	103
Industrial electric power sales				
Metropolitan area	***	109	107	109
Allentown	***	97	99	104
Bethlehem	***	117	114	113
Easton	***	104	102	99
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	228.0	+33		
Nonresidential contracts only	137.4	+85		

[1]Lehigh, Northampton, and Carbon Counties, Pa., and Warren County, N.J.

Scranton-Wilkes-Barre Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q.'86	*3 Q.'86*	*2 Q.'86*	*3 Q.'85*
Employment *(in thousands)*				
Employed, no. of residents				
Metropolitan area	321.5	111	111	108
Lackawanna County[2]	99.1	107	107	105
Luzerne County[3]	148.8	108	108	106
Unemployed, no. of residents				
Metropolitan area	28.2	90	95	97
Rate, seasonally adjusted	8.4			
Lackawanna County[2]	8.0	81	82	85
Luzerne County[3]	15.0	93	105	102
Civilian labor force, no. of residents				
Metropolitan area	349.7	109	109	107
Lackawanna County[2]	107.1	105	104	103
Luzerne County[3]	163.9	106	108	106
Local industries, Metropolitan area *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	283.7	108	107	106
Nonmfg. only, no. of jobs	211.3	118	117	114
Mfg. only, no. of jobs	72.4	87	87	88
Hrs. worked by production workers in mfg., *ave. weekly*	38.1	n.a.	n.a.	n.a.
Industrial electric power sales				
Metropolitan area[4]	***	107	108	101
Lackawanna County[2]	***	118	121	108
Luzerne County[3]	***	96	95	95
Hazleton	***	89	87	88
Wilkes-Barre	***	99	100	97
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	173.6	+14		
Nonresidential contracts only	85.6	+47		

[1]Columbia, Lackawanna, Luzerne, Monroe, and Wyoming Counties
[2]Includes Scranton
[3]Includes Wilkes-Barre and Hazleton
[4]Excludes Wyoming County

During the first nine months of the year, the improvement in the employment/unemployment situation in the region was very similar to that in the State. Compared to the same period in 1985, employment grew by 3.2 percent, a gain strong enough to absorb a 2.1 percent gain in the labor force and reduce the number of unemployed by 8.1 percent.

Gains in the nonmanufacturing sector have been quite impressive. Jobs in these industries increased for the 16*th* time in 17 quarters in rising by 2,100 to a record-high of 209,200 after seasonal adjustment. Service-producing industries are leading the way. Within this group, jobs in trade have grown by 2.4 percent so far this year relative to 1985; those in finance-related fields by 5.6 percent; and those in services by 6.6 percent. For nonmanufacturing as a whole, job levels are up 3.4 percent on a year-to-date basis, identical to the State's gain.

Unfortunately, this strength has not spread to the region's manufacturers where job levels fell for the sixth time in seven quarters. At a seasonally adjusted 72,400, the number of positions in these industries was off by 100 from the second quarter. For the year, jobs are off by 1.5 percent. The region's manufacturing sector is dominated by the apparel industry, which has been especially hard-hit by a surge in foreign competition. So far this year, 6 percent of the industry's jobs have been lost. Manufacturing's difficulties are also reflected in the sluggish trend in the average workweek and industrial electricity sales.

Based on the value of contracts awarded, construction activity in the region is up. On a year-to-date basis, the value of residential awards grew 14 percent compared to 1985, while nonresidential awards advanced by 47 percent. Construction jobs have averaged 11,000 per month, up from 10,500 during the first nine months of 1985.

Williamsport

Driven by gains in the nonmanufacturing sector, the Williamsport regional economy remained on a fairly healthy growth track in the third quarter. The 32,800 jobs in these industries after adjustment for normal seasonal variation during the July-September period represent a record-high. Nonmanufacturing job levels have increased almost continuously for two years. So far this year, they are up 5 percent compared to a year ago, which compares favorably to the State's 3.4 percent advance.

Jobs in the largest industry, trade, have increased 6.9 percent between the first nine months of 1985 and the same period in 1986. Another big gainer is services, where jobs advanced by 5.7 percent over the same period.

As elsewhere in the State, construction activity is also up in the Williamsport region. The value of contracts awarded during the first three quarters of 1986, at $16.5 million on the residential side, show a gain of 17 percent over 1985. Nonresidential contract values grew by 68 percent to $38.7 million.

The region's manufacturing sector is showing some gains, which is certainly a positive sign given the situation elsewhere. The seasonally adjusted 15,100 jobs in these establishments during the third quarter was unchanged from the April-June period. During the first nine months of this year, sectoral jobs have increased by 2.7 percent from a year ago, which compares quite favorably with the 3.8 percent decline in the Commonwealth.

Electricity sales to industry, a good barometer of industrial production, fell slightly in the third quarter. However, sales

Williamsport Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	53.4	112	111	105
Unemployed, no. of residents	3.3	81	86	104
Rate, seasonally adjusted	6.6			
Civilian labor force, no. of residents	56.7	109	109	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	47.9	104	102	100
Nonmfg. only, no. of jobs	32.7	116	113	110
Mfg. only, no. of jobs	15.2	85	85	83
Industrial electric power sales	***	87	88	79
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.5	+17		
Nonresidential contracts only	38.7	+68		

[1]Lycoming County

have remained above year-ago levels each quarter this year.

The region's jobless rate fell for the third consecutive quarter in dropping 0.3 percentage point to 6.6 percent, seasonally adjusted. This represents the lowest rate since 1974. All told, there were a record-high 52,300 residents employed in the third quarter after seasonal adjustment, up by 200 from the previous quarter. This gain was strong enough to reduce the number of unemployed by 200.

Southwestern Quarter

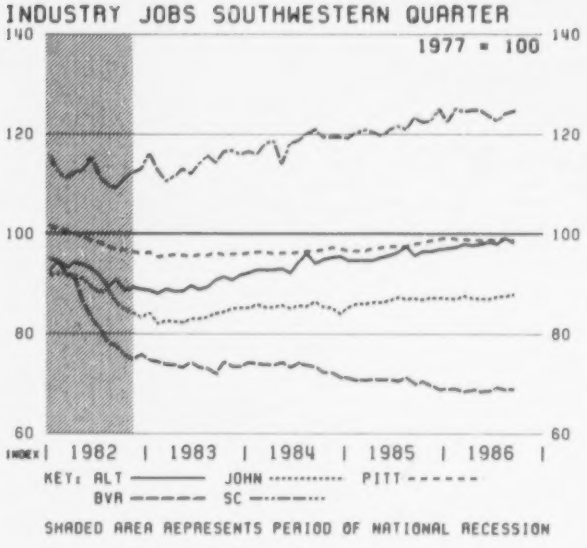
Altoona

The performance of the Altoona economy during this year's third quarter is really nothing to get excited about, but because of continued strength in the nonmanufacturing sector, a significant downturn does not appear likely in the near-term. As is the case throughout the Commonwealth, nonmanufacturing job levels remain at or near record-highs month after month. The seasonally adjusted 39,300 positions during the July-September period represent the second highest level on record, trailing only the 1978:IIIQ reading. Third quarter's total represents a gain of 400 from the second quarter.

The two dominant industries are trade and services. During the first nine months of this year, 800 positions have been added in the region's trade establishments compared to a year ago. The services industries added 600.

Some of this strength is being offset by weakness in manufacturing. After adjustment for normal seasonal variations, there were 11,100 manufacturing jobs in the region during the third quarter. Job levels have fluctuated within a fairly narrow band during the last year-and-a-half. Although this is slightly better than the nearly continuous declines occurring in some regions, manufacturing job levels are still quite low in historical terms. Manufacturing's weakness is also reflected in little growth in industrial electric power sales. Third quarter's 4.6 percent gain follows five quarters of decline and should not be interpreted too optimistically.

Similar caution should be exercised in interpreting the decline in the unemployment rate from a seasonally adjusted 9.5 percent in the second quarter to 8.5 percent in the third. Employment rose by a very slight 100, albeit to a record-



high of 54,100, seasonally adjusted. At the same time, the number of area residents counted as unemployed dropped by 800. Hence, much of the decline in the jobless rate is the result of a fall of 700 in the labor force.

On the construction front, nonresidential activity, as measured by the value of construction contracts awarded, is up a very respectable 31 percent so far this year. Residential contract values show a much more modest 7 percent advance.

Johnstown

The economy of the Johnstown region continued to spin its wheels in the third quarter with no prospects for any considerable improvement in sight. Although the area's jobless rate did decline 0.9 percentage point from the second quarter to 10.4 percent, seasonally adjusted, the lowest rate since 1979, it was the result of a reduction in the labor force rather than a gain in employment. The number of residents counted as employed fell by 300 to a seasonally adjusted 85,000. This represents quite an improvement from the recessions of the early 1980s, but falls well short of the employment levels which existed throughout the 1970s.

Altoona Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	55.8	104	104	101
Unemployed, no. of residents	4.7	124	142	142
Rate, seasonally adjusted	8.5			
Civilian labor force, no. of residents	60.5	105	106	104
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	51.3	99	98	96
Nonmfg. only, no. of jobs	40.0	103	102	101
Mfg. only, no. of jobs	11.3	85	86	84
Industrial electric power sales	***	75	72	81
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	16.2	+ 7		
Nonresidential contracts only	13.5	+31		

[1]Blair County

Johnstown Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	87.8	88	89	87
Unemployed, no. of residents	8.9	93	102	108
Rate, seasonally adjusted	10.4			
Civilian labor force, no. of residents	96.6	89	90	89
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	78.1	88	87	87
Nonmfg. only, no. of jobs	65.6	97	96	96
Mfg. only, no. of jobs	12.5	58	58	58
Industrial electric power sales	***	166	156	153
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	44.1	+ 26		
Nonresidential contracts only	51.9	+111		

[1]Cambria and Somerset Counties

At the same time, the number of unemployed dipped by 1,000 to a seasonally adjusted 9,900. Hence, the decline in the jobless rate was the result of a net outflow of 1,300 from the labor force.

The lone bright spot in the region's economy is the construction industry. Nonresidential construction contracts more than doubled in value to $51.9 million during this year's first nine months compared to the same period a year ago. Residential contrat values increased by 26 percent to $44.1 million.

There was a welcome gain of 600 in the number of nonmanufacturing jobs during the third quarter to 64,500, seasonally adjusted, the highest level since 1982:IIQ. However, recent growth in this sector has not matched that in the entire State. During the first nine months of this year, jobs in these industries have grown by a slight 1.2 percent compared to a 3.4 percent gain in the Commonwealth. In the services industries, which have provided the bulk of all new jobs in Pennsylvania, jobs have expanded by 3.5 percent in the Johnstown region so far this year compared to 5.2 percent Statewide.

Surprisingly, manufacturing appears to be holding its own in the region. During the third quarter, jobs increased by a seasonally adjusted 100 to 12,400. Compared to a year ago, job levels are essentially unchanged. However, the number of positions in manufacturing have been hovering at or near all-time lows for the last several years. Despite the fact that these industries have been holding steady as of late, their relative importance has been on a long-run decline stretching back several years. Currently, manufacturing accounts for a surprisingly low 16 percent of employment in the region, a share that has been cut in half over the past few decades. Clearly, the region is having difficulties adjusting to these structural changes.

Pittsburgh-Beaver Valley

Third quarter trends in the Pittsburgh-Beaver Valley economy mirrored those throughout the Commonwealth: a fairly healthy nonmanufacturing sector alongside a sluggish manufacturing base. The seasonally adjusted 732,300 nonmanufacturing positions in the four-county Pittsburgh region represent an all-time high. So far this year, the number of jobs in these industries has grown by 3.2 percent. At the same time, jobs in the region's manufacturing establishments dipped again during the quarter to a record-low of 128,000, seasonally adjusted. During the first nine months of this year, manufacturing jobs were off by 5.8 percent.

Pittsburgh[1]-Beaver Valley[2] Area

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents				
Pittsburgh[1]	911.1	103	103	100
Beaver County	58.7	68	68	69
Unemployed, no. of residents				
Pittsburgh[1]	73.6	120	125	135
Beaver County	6.9	102	140	151
Unemployment Rate, seas. adj.				
Pittsburgh[1]	7.7			
Beaver County	10.5			
Civilian labor force, no. of residents				
Pittsburgh[1]	984.7	104	105	103
Beaver County	65.6	70	73	74
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs				
Pittsburgh[1]	867.7	99	99	98
Beaver County	52.4	69	68	71
Nonmfg. only, no. of jobs				
Pittsburgh[1]	736.7	112	112	110
Beaver County	41.0	108	107	105
Mfg. only, no. of jobs				
Pittsburgh[1]	128.7	58	60	62
Beaver County	11.4	30	30	36
Hrs. worked by production workers in mfg., *ave. weekly*				
Pittsburgh[1]	40.3	n.a.	n.a.	n.a.
Beaver County	40.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	56	61	66
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only				
Pittsburgh[1]	389.2	+28		
Beaver County	18.9	+ 7		
Nonresidential contracts only				
Pittsburgh[1]	483.3	+16		
Beaver County	11.3	+40		

[1]Allegheny, Fayette, Washington and Westmoreland Counties
[2]Beaver County

In Beaver County, nonmanufacturing job levels have increased seven straight quarters. The seasonally adjusted 41,100 positions in these industries during the third quarter were only slightly below the all-time highs from 1979 and early 1980. Job levels have increased 4.1 percent so far this year. On the manufacturing side, the number of jobs did increase by 100 from second quarter's record-low to 11,300, seasonally adjusted. However, jobs are down a disturbing 21.2 percent on a year-to-date basis.

The service-producing industries are providing the strength in nonmanufacturing. Meanwhile, the region's reliance on the primary metals industry is dragging down manufacturing. The number of jobs in this industry fell by 34.9 percent during this year's first nine months in Beaver County and 13.3 percent in the Pittsburgh area.

As manufacturing activity continues to decline, electricity sales to industry remain on a downward trend. Sales have

declined in each quarter this year and are down nearly one-half from the late 1970s. Additionally, the behavior of the average workweek, which usually rises before an increase in hiring activity, does not point to any turnaround.

Unemployment remains a problem in the region. Although it fell by 2.9 percentage points to a seasonally adjusted 10.5 percent in the third quarter, the Beaver County unemployment rate was still the highest among the State's 15 metro areas. Furthermore, the 7.7 percent rate in the Pittsburgh region leaves considerable room for improvement. Third quarter's decline in unemployment was not the result of any gains in employment. Rather, it was the result of a net outflow from the labor force.

As elsewhere in the Commonwealth, construction activity appears to be up in the region. Based upon the value of contracts awarded so far this year, both the residential and nonresidential sectors have realized gains.

State College

Although the numbers suggest the State College regional economy took a breather for the second straight quarter during the July-September period, there is no denying that it remains on a healthy growth track. A surge in construction is leading the way. Contract awards advanced by 83 percent during the first nine months of the year on the nonresidential side. Residential awards rose by one-fifth over the same period.

Despite a slight job loss in the third quarter, nonmanufacturing industries have had a very strong year. At a seasonally adjusted 42,600, the number of sectoral jobs was off by just 300 from second quarter's record-high. So far this year, there has been a 3.3 percent increase from 1985. Services industries are leading the way with a gain of 6.9 percent or 600 jobs.

Although it only accounts for about 16 percent of all jobs compared to 23 percent in the State, there are still a sizeable number of jobs in manufacturing. During the third quarter, the seasonally adjusted 7,800 positions represent a gain of 100 from the second quarter. So far this year, job levels have essentially held steady compared to the State's 3.8 percent decline. Clearly, manufacturing is not subtracting away from growth to the same degree as in the State as a whole.

State College Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '86	*3 Q '86*	*2 Q '86*	*3 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	54.0	127	128	122
Unemployed, no. of residents	3.2	129	134	139
Rate, seasonally adjusted	6.0			
Civilian labor force, no. of residents	57.2	127	129	123
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	49.8	124	124	122
Nonmfg. only, no. of jobs	42.2	124	125	122
Mfg. only, no. of jobs	7.6	121	120	122
Industrial electric power sales	***	108	108	100
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	62.7	+20		
Nonresidential contracts only	34.3	+83		

[1]Centre County

Resident employment appears to be picking up after some sluggishness. Although third quarter employment, at a seasonally adjusted 53,400, was down by 500 from second quarter's record-high, gains did occur in both August and September. For the year, employment in the region has advanced by 6.4 percent compared to the Commonwealth's 3.1 percent increase.

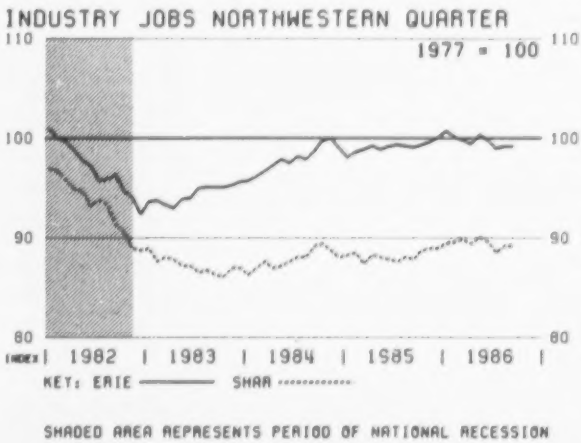
There were a seasonally adjusted 3,400 residents counted as unemployed in the third quarter, down from 3,600 in the preceding quarter. Because of the decline in employment, however, unemployment's drop was due to a fall in the labor force. The end result was an unemployment rate of 6 percent, seasonally adjusted, down from 6.3 percent and the fifth lowest among the State's 15 metro regions. During the first nine months of the year, employment gains in the region have been strong enough to absorb a 5.1 percent increase in the labor force and reduce the number of unemployed by 11.2 percent. This compares quite favorably with the State's performance, where employment gains were strong enough to absorb a 2.1 percent increase in the labor force and reduce the number of unemployed by 9.6 percent.

Northwestern Quarter

Erie

It is hard to make a case that the Erie regional economy did anything more than hold its own in the third quarter. What strength there is in the economy can be traced to the nonmanufacturing sector. At a record-high 76,000 after seasonal adjustment, the number of nonmanufacturing jobs was up by 100 from the second quarter in rising for the tenth time in 11 quarters. The two largest industries, services and trade, grew by 5.3 and 3.2 percent on a year-to-date basis, respectively. Nonmanufacturing's growth is quite similar to that in the entire Commonwealth.

Another nonmanufacturing industry, construction, is also on the upswing. Through the first nine months of the year, the value of residential construction contract awards were up 14 percent from a year ago and nonresidential awards increased by 28 percent. Jobs in this industry have grown from 2,900 in the first three quarters of last year to 3,400 this year.



Erie Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '86	*3 Q '86*	*2 Q '86*	*3 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	119.8	105	106	104
Unemployed, no. of residents	10.8	129	127	116
Rate, seasonally adjusted	9.0			
Civilian labor force, no. of residents	130.6	107	108	105
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	110.3	99	100	99
Nonmfg. only, no. of jobs	76.7	113	113	109
Mfg. only, no. of jobs	33.5	78	80	83
Industrial electric power sales	***	99	94	88

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	42.2	+ 14
Nonresidential contracts only	40.6	+ 28

[1]Erie County

Sharon Area[1]

	Ave. mo. value	Average monthly index seas. adj. (1977 = 100)		
	3 Q '86	*3 Q '86*	*2 Q '86*	*3 Q '85*
Employment *(in thousands)*				
Employed, no. of residents	46.5	95	96	92
Unemployed, no. of residents	3.9	104	100	110
Rate, seasonally adjusted	8.4			
Civilian labor force, no. of residents	50.4	96	97	94
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	40.3	89	90	88
Nonmfg. only, no. of jobs	30.6	106	106	103
Mfg. only, no. of jobs	9.7	59	63	62
Industrial electric power sales	***	94	102	93

Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd
Residential contracts only	16.0	- 2
Nonresidential contracts only	19.7	+ 25

[1]Mercer County

The gains in nonmanufacturing have not been strong enough, however, to put a dent in the region's unemployment problem. In the third quarter, the unemployment rate inched up by 0.2 percentage point to a seasonally adjusted 9 percent, the third highest among the Commonwealth's 15 metro areas. Additionally, the number of unemployed residents has grown by 2 percent so far this year compared to a decline of 9.6 percent in the State. For the year as a whole, employment of the region's residents grew by 2 percent. However, the rate of growth seems to have slowed as of late. In fact, the two months with the lowest level of employment this year were July and September. All told, there were a seasonally adjusted 116,700 residents employed in the third quarter, down from 118,200 in the second.

Manufacturing continues to hold the economy back. Third quarter's 33,300 jobs after adjustment for normal seasonal variation is the lowest level since record-keeping began in 1962. Job losses have totaled 5.3 percent for the year, considerably higher than the State's 3.8 percent drop. It is doubtful that the economy can turn the corner onto a sustainable recovery until manufacturing, which accounts for nearly one-third of all jobs, can at least hold its own. As late as 1972, manufacturing accounted for 42.6 percent of all jobs.

Given these problems, it is surprising to find that electricity sales to industry, a good barometer of industrial production, have remained above year-ago levels the last three quarters. However, they remain well below levels of the late 1970s.

Sharon

The performance of the Sharon regional economy left a lot to be desired during the third quarter. For example, at a seasonally adjusted 8.4 percent, the unemployment rate was up 0.6 percentage point from the second quarter. Erie was the only other region in which there was an increase.

Resident employment fell by a seasonally adjusted 800 during the quarter to 45,600. So far this year, however, employment has increased by 3.3 percent, a gain in line with the State's 3.1 percent advance. The number of residents counted as unemployed rose by 200 to a seasonally adjusted 4,200 in the third quarter. Again, we find a much better performance when the situation is examined on a year-to-date basis. During the first nine months of this year, there were 15.6 percent fewer unemployed residents compared to a year ago.

The reason that the region is unable to move onto a higher growth track can be traced to manufacturing's difficulties. Jobs in these industries dipped to their lowest level since record-keeping began in 1975, a seasonally adjusted 9,600. So far this year, 4.2 percent of the region's manufacturing jobs have been lost compared to a year ago.

Primary metals, an industry being adversely affected by intense foreign competition and a switch to other structural materials in finished products, is the major employer in the manufacturing sector. During the first nine months of 1986, the number of jobs in this industry was down by 5.1 percent.

Signals coming from the construction industry are mixed. The number of jobs in the industry are up and the value of nonresidential contract awards increased by 25 percent on a year-to-date basis. However, the value of residential awards is down a slight 2 percent from a year ago, the only region in which a decline occured.

What strength there is in the economy is coming from the nonmanufacturing sector. At a seasonally adjusted 30,700, there were 200 more nonmanufacturing jobs in the third quarter relative to the second. On a year-to-date basis, nonmanufacturing jobs are 3.6 percent higher than in the first nine months of 1985, a gain very similar to the State's 3.4 percent advance. Jobs in the services industries have grown by 3.9 percent compared to 5.2 percent in the Commonwealth.

Southeastern Quarter

Harrisburg-Lebanon-Carlisle

Although it is not immune from the difficulties in the manufacturing sector, gains in nonmanufacturing have been strong enough to keep the economy of the Harrisburg-Lebanon-Carlisle region on a healthy growth trend. During the third quarter, the region's seasonally adjusted unemployment rate of 4.4 percent was the second lowest among the State's 15 metro areas. However, the 1 percentage point drop from the second quarter was somewhat misleading. Employment actually fell slightly from second quarter's record-high to

289,900, seasonally adjusted. This suggests that the jobless rate drop was the result of a decline in the labor force.

Comparisons with 1985 illustrate the strength of the region's economy. A 4 percent employment gain between the first nine months of 1985 and 1986 was strong enough to absorb a 3.3 percent increase in the labor force and reduce the number of unemployed by 7.8 percent.

Manufacturing job levels did rise by a seasonally adjusted 500 to 50,100 in the third quarter. However, over the first nine months of the year, the number of positions in these establishments was off by 3.3 percent from a year ago. Surprisingly, the largest manufacturing industry, food products, has realized a 3.5 percent increase in jobs over the period.

At a seasonally adjusted 233,100, nonmanufacturing job levels rose to another record in the third quarter, the 13*th* consecutive quarter this has happened. For the year as a whole, jobs have increased by 3.8 percent from last year. Jobs in trade are up 5.2 percent, while those in services have grown by 6.3 percent. In the public sector, State and local government employment has grown by 1.7 percent.

Not surprisingly, construction activity, based on the value of contracts awarded, is up. At $161.9 million in the first nine months of this year, residential awards were up 17 percent from the same period in 1985. Nonresidential awards grew 45 percent to $109.4 million.

Lancaster

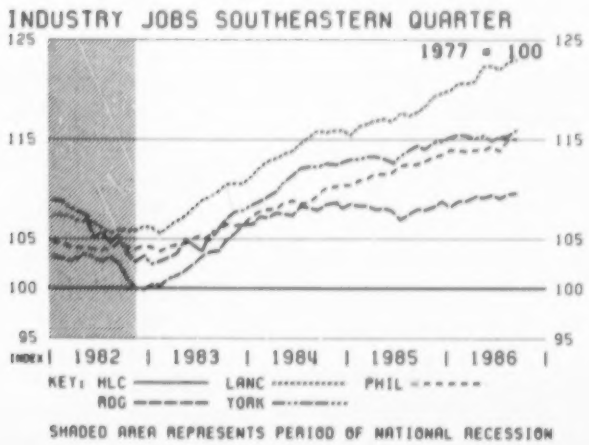
The economy of the Lancaster region continued to move forward at a healthy pace in the third quarter. As elsewhere in the State, nonmanufacturing is leading the way. Jobs in these establishments rose by another 500 to a seasonally adjusted 113,800 in the July-September period. Service-producing industries have been fueling the growth. Jobs in trade have grown 5.8 percent on a year-to-date basis. Services positions have expanded 5.6 percent. Finance-related jobs advanced 7 percent.

Following a Statewide trend, construction activity in the region looks to be up. The dollar value of both residential and nonresidential contract awards were up through the first nine months of the year, with an especially strong gain in the residential sector. Construction jobs have averaged 9,200 per month this year, up from 8,200 last year.

Although they are not nearly as strong as the service-producing industries, the region's manufacturers are more than holding their own. In fact, the seasonally adjusted 59,400 manufacturing positions in the third quarter was the highest since 1981. On a year-to-date basis, jobs are up 1.5 percent compared to the State's 3.8 percent decline. Although it is not usually thought of as a manufacturing based economy, about 35 percent of the region's jobs are in these industries compared to the State's 23 percent.

Manufacturing's strength is reflected in five consecutive quarterly gains in electricity sales to industry, a good gauge of industrial production. Furthermore, the average factory workweek has remained above year-ago levels for five straight quarters.

The region's strong economy translates into a solid performance on the employment/unemployment front. For example, the jobless rate dropped by 0.2 percentage point to a seasonally adjusted 3.6 percent in the third quarter, the lowest in the Commonwealth. At the same time, employment rose to a record-high 199,700, seasonally adjusted. So far this year, employment is up 5.1 percent, the labor force



Harrisburg-Lebanon-Carlisle Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	296.6	115	115	112
Unemployed, no. of residents	13.4	91	109	102
Rate, seasonally adjusted	4.4			
Civilian labor force, no. of residents	310.0	114	115	111
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	285.3	115	114	112
Nonmfg. only, no. of jobs	234.5	121	120	117
Mfg. only, no. of jobs	50.8	92	91	94
Hrs. worked by production workers in mfg., *ave. weekly*	39.6	n.a.	n.a.	n.a.
Industrial electric power sales	***	71	66	78
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	161.9	+17		
Nonresidential contracts only	109.4	+45		

[1]Cumberland, Dauphin, Lebanon, and Perry Counties

Lancaster Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	204.9	127	127	121
Unemployed, no. of residents	7.2	94	96	110
Rate, seasonally adjusted	3.6			
Civilian labor force, no. of residents	212.0	125	126	121
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	173.7	123	122	118
Nonmfg. only, no. of jobs	114.0	134	134	128
Mfg. only, no. of jobs	59.7	105	104	102
Hrs. worked by production workers in mfg., *ave. weekly*	40.6	102	102	101
Industrial electric power sales	***	131	127	123
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	185.0	+40		
Nonresidential contracts only	34.3	+ 2		

[1]Lancaster County

Philadelphia Area[1]

	Ave. mo. value 3 Q '86	Average monthly index seas. adj. (1977 = 100) 3 Q '86	2 Q '86	3 Q '85
Employment *(in thousands)*				
Employed, no. of residents	2259.3	118	118	115
Unemployed, no. of residents	123.9	68	72	74
Rate, seasonally adjusted	5.1			
Civilian labor force, no. of residents	2383.2	114	114	112
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	2096.9	115	114	112
Nonmfg. only, no. of jobs	1701.6	124	122	120
Mfg. only, no. of jobs	389.0	87	88	89
Hrs. worked by production workers in mfg., *ave. weekly*	39.9	101	100	101
Industrial electric power sales	***	100	104	99
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	1302.5	+ 22		
Nonresidential contracts only	925.2	+ 2		

[1]Bucks, Chester, Delaware, Montgomery, and Philadelphia Counties, Pa., and Burlington, Camden, and Gloucester Counties, N.J.

has grown 4.1 percent, and the number of unemployed fell 15.9 percent. This compares quite favorably with the improvements in the Commonwealth as a whole.

Philadelphia

The economy of the Philadelphia region remained on a definite upward trend in the third quarter, but its performance falls short of a boom. The seasonally adjusted 5.1 percent jobless rate during the period was the third lowest among the Commonwealth's 15 metropolitan areas. Resident employment rose to another record-high 2.24 million after seasonal adjustment.

For the year as a whole, a 3.2 percent gain in employment has been strong enough to absorb a 2.6 percent increase in the labor force and reduce the number of unemployed by 7.2 percent. These improvements were in line with those in the Commonwealth.

The source of the economy's strength has been the nonmanufacturing sector. Third quarter's 1.71 million positions in these industries represent a record-high. Jobs in the services industries, the region's largest employer, have grown 4.4 percent so far this year. Other big gainers over the period were trade (3.9 percent) and finance-related (3.2 percent). For the year, nonmanufacturing jobs in the region are up 3.2 percent, very similar to the Commonwealth's 3.4 percent advance.

In both dollar and job terms, construction activity is up. Construction contract values have grown by 2 percent in the nonresidential sector during the first nine months of 1986 compared to the same period in 1985. On the residential side, the gain was 22 percent. So far this year, construction jobs have averaged 86,800 per month, up from 81,200 during the same period in 1985.

These gains in nonmanufacturing are being partially offset by losses in manufacturing. The only time jobs in these industries were lower than third quarter's seasonally adjusted 389,300 was during the recession of the early 1980s. Third quarter brought with it a decline of 3,000 manufacturing jobs after adjustment for normal seasonal variation.

The region's largest durable goods employers are electronic equipment and nonelectrical machinery where jobs have grown by 1.8 percent and declined by 6.2 percent on a year-to-date basis, respectively. On the nondurables side, the largest industry is printing and publishing where jobs have increased by 3.9 percent. Clearly, manufacturing's weakness is not spread evenly across all industries.

Reading Area[1]

	Ave. mo. value 3 Q '86	Average monthly index seas. adj. (1977 = 100) 3 Q '86	2 Q '86	3 Q '85
Employment *(in thousands)*				
Employed, no. of residents	159.6	116	117	113
Unemployed, no. of residents	9.8	116	132	139
Rate, seasonally adjusted	6.1			
Civilian labor force, no. of residents	169.4	116	118	115
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	143.5	109	109	108
Nonmfg. only, no. of jobs	95.4	119	118	114
Mfg. only, no. of jobs	48.0	94	95	97
Hrs. worked by production workers in mfg., *ave. weekly*	40.7	104	102	103
Industrial electric power sales	***	129	126	124
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	102.6	+ 38		
Nonresidential contracts only	54.1	+ 136		

[1]Berks County

Reading

Driven by gains in nonmanufacturing, the Reading regional economy moved forward in the third quarter. Jobs in the region's nonmanufacturing establishments rose for the 15*th* consecutive quarter to a seasonally adjusted 96,000, a record-high. Within this sector, the service-producing industries have been leading the way. The number of positions in trade have grown by 3.7 percent so far this year. In services, there was a 5 percent gain. Finance-related jobs, though much smaller in absolute terms, grew by 9.1 percent.

Another strong nonmanufacturing industry has been construction. The value of contracts awarded have increased considerably in both the residential and nonresidential sectors this year compared to 1985. Job levels have averaged 6,100 so far this year, up from 5,700 in 1985.

Nonmanufacturing's strength has been enough to bring about a 2.3 percent gain in resident employment during the first nine months of the year, slightly below the State's 3.1 percent advance. However, in the third quarter, employment fell by 900 to a seasonally adjusted 157,700.

Hence, the drop in the unemployment rate from 7.2 percent in the second quarter to 6.1 percent in the third after seasonal adjustment was the result of a net outflow from the labor force.

The economy is unable to move to a higher rate of growth because of weakness in manufacturing. Third quarter's seasonally adjusted 48,100 jobs was the lowest number since 1983:1Q and was down by 400 from the second quarter. During the first nine months of this year, jobs were down 4.8 percent from a year ago compared to the State's 3.8 percent fall.

York Area[1]

	Ave. mo. value 3 Q.'86	Average monthly index seas. adj. (1977 = 100) 3 Q.'86	2 Q.'86	3 Q.'85
Employment *(in thousands)*				
Employed, no. of residents	198.5	126	127	123
Unemployed, no. of residents	10.6	108	114	138
Rate, seasonally adjusted	5.2			
Civilian labor force, no. of residents	209.1	125	126	124
Local industries *(in thousands)*				
All nonagricultural ind., no. of wage and salary jobs	164.4	116	115	114
Nonmfg. only, no. of jobs	106.6	129	129	126
Mfg. only, no. of jobs	57.7	96	97	98
Hrs. worked by production workers in mfg., *ave. weekly*	40.9	100	100	100
Industrial electric power sales	***	109	110	100
Construction contracts awarded *(in millions of dollars)*	'86 Ytd (Jan-Sept)	Pct Change From Year-Ago Ytd		
Residential contracts only	113.6	+21		
Nonresidential contracts only	61.3	+98		

[1]Adams and York Counties

York

The York regional economy showed signs of continued growth in the third quarter. Construction is playing a major role, as the value of contracts awarded rose 21 percent during the first nine months of the year on the residential side while nonresidential contract values doubled.

At a seasonally adjusted 5.2 percent in the third quarter, the unemployment rate in the region was down 0.3 percentage point from the second quarter and was the fourth lowest among the State's 15 metropolitan areas. However, third quarter's decline came about despite a drop in employment of 900 to a seasonally adjusted 194,600. Still, this is the third highest level on record. Given that the number of unemployed dipped by 500 individuals on a seasonally adjusted basis, this translates into a net outflow of 1,400 from the labor force, which is the true cause of the unemployment rate decline.

Similar to the situation throughout much of the Commonwealth, the region's manufacturing industries are having more than their fair share of problems. The seasonally adjusted 57.4 thousand jobs in this sector in the third quarter was off by 300 from the second quarter. So far this year, these jobs are down 2 percent from a year ago, slightly better than the State's 3.8 percent fall.

The bulk of all new jobs are being created in the nonmanufacturing industries where the number of jobs stood at a record-high of 106,500 after seasonal adjustment in the third quarter, up by 500 from the second. Job levels have increased for 16 consecutive quarters.

Trade is of vital importance to the region's economy, accounting for about 23 percent of all jobs. So far this year, the number of jobs in these industries have grown by 3.1 percent. The services industries rank right behind trade in terms of employment. Jobs in these industries have grown by a strong 7.4 percent on a year-to-date basis.

— William D. Anderson

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